

18/05/2020

GOOD THINGS FOR THOSE WHO WAIT

Recommendation BUY

Tu Nguyen	
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Target price	145,900
Current price	125,000
Upside	16.7%

Duc Nguyen	
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Target price	137,080
Buy zone	112,840

Market data

Outstanding shares (mil)	59.6
Mkt cap (VND. bil)	7,452
High of 52w	148,500
Avg Vol 10 days (share)	65,977
Foreign ownership	20.57%

Major shareholders (%)

Viettel Group	66.81%
Japan Asia MB Capital Fund	5.00%
VCBF Strategy Balance Fund	0.58%
Hung Tran	0.27%
SSI Sustainable Competitive Advantage Fund	0.15%

Chart (1 year)



Overview: VTP is leading enterprise operating in the postal sector, with the second market share reaching 25.7%, after VNPost. The company has a large distribution network: 2,200 post offices; 827 stores and 469 postal service points across the country.

Valuation

BSC maintain our recommendation BUY for VTP stock with new target price of 145,900 VND per share, down 10.2% compared to latest target price ([Link](#)) due to adjustment of target PE (20.6 down from 21.0)

2020 Business forecast

BSC forecast revenue and profit after tax in 2020 respectively of VND 11,358bn (+45.4% YoY) and VND 482bn (+26.8% YoY). EPS fw 2020 reach 7,085 VND, equivalent to PE fw 2020 of 17.6.

Investment risk

Fierce competition among traditional portal companies and fast delivery start ups.

Business result update

Viettel Post announced first quarter performance with two digit growth. Revenue and profit after tax are VND 2,460bn (+83.6% YoY) and VND 97bn (+26.2% YoY).

Commercial sector (Voso,vn, telecom services, ...) post a surprising increase of 5x times in revenue, accounting for 43.7% of revenue, up from 11.9% at the same time last year. Due to barely thin margin of this sector (~0.7%), gross profit margin decreases to 7.3%.

Delivery sector, on the other hand, maintain a stable gross margin. However, revenue growth of 17% was rather disappointing amid coronavirus crisis. It is much lower than our expectation of an overall growth of 37% in 2020.

We thinks that main driver continued to come from the increase of delivered parcels which observed a high growth of 162.2% in February 2020 to reach 10.1mn delivered parcels.

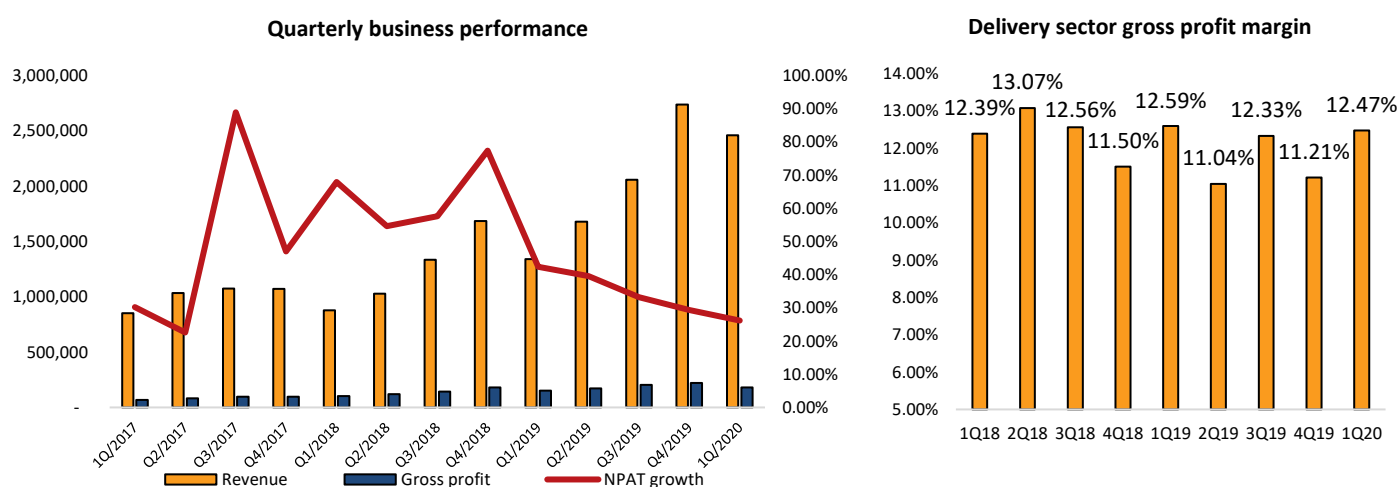
Viettel Post launched new services (North South express train, MyGo Express) to meet the high demand of customers. In 2019, fast delivery took account of 60% in used service of company.

Viettel Post Joint Stock Company

First quarter business update

(1) Viettel Post has announced its first quarter business performance with two digit growth in net earnings. Net sales and profit before tax respectively totaled VND 2,460bn (+83.6% YoY) and VND 97bn (+26.2% YoY). Growth of net profit was decreasing in 5 consecutive quarters, mainly driven by worsening gross profit margin when the company expand Commercial sector whose gross margin is very thin.

The Delivery segment had a stable margin over the same period, but the revenue growth rate is 17% YoY, much lower than the average forecast of 2020 of BSC's growth of 47%. BSC believes that the Delivery data in March plummeted even though the first two months of the year were still in good growth. We will update more in the following reports.



Source: VTP

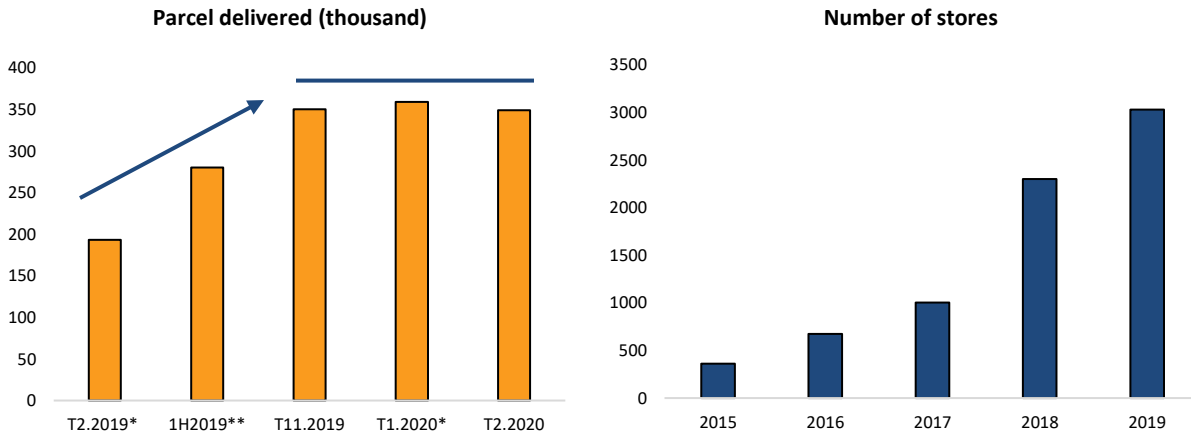
In February 2020, Delivery sector, including Portal and Fast delivery, accounted for 61% of revenue with an impressive growth of 103.4% compared to the same month last year. Main driver was volume of parcels delivered reaching 10mn parcels per month (+162.2% YoY). However, compared to quarter on quarter, the growth was flat instead of an increasing growth qoq observed in 2019. It reflected that the shock of coronavirus –related lockdown had disrupted goods flows from China.

	February 2020	February 2019	YoY
Consolidated revenue (bn VND)	625.5	334.64	86.9%
Delivery (bn VND)	379.57	186.60	103.4%
E-commerce (bn VND)	57.69	15.78	265.6%
Volumes of parcels delivered	10,130,088	3,863,388	162.2%

Source: VTP

Viettel Post Joint Stock Company

We expect that volume of parcels delivered in the coming quarters resume to itself normal growth thanks to (1) Online shopping trend continue to flourish in Vietnam (2) VTP’s high coverage network continue to be benefited from movement to online shopping.

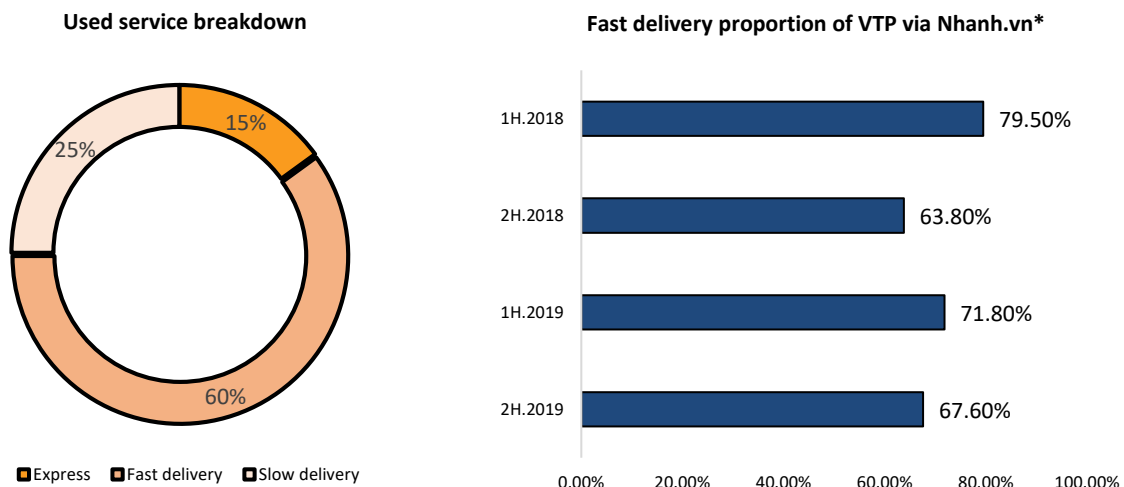


* Included Tet holiday effect, ** BSC’s estimate

Source: VTP

(2) Fast delivery continues to be the most used service of VTP

Fast delivery service currently takes account of more than half of delivery revenue and is expected to enlarge its revenue share. In first quarter of FY 2020, company has launched new services for multi – municipal round trip whose gross margin is higher than inner city: North South 40 hour train service which helps to reduce by 20% in expense compared to land trip; MyGo Express which is operated on MyGo Platform provides fixed multi – municipal land trip.



*: Data of Nhanh.vn does not represent Viettel Post’s service breakdown

Source: BSC

BSC's Business Forecast

In 2020, BSC forecasts that VTP's net revenue and profit after tax will be respectively VND 11,358bn (+45.4% YoY) and VND 482bn (+26.8% YoY) based on the following assumptions:

+ Portal and Delivery industry records a growth of 37% in 2020 while VTP maintain its market share

	2016	2017	2018	2019*	2020F
% growth of industry**		49.9%	73.9%	50%	37%
VTP's market share	21.3%	23.0%	20.9%	19.8%	19..8%

*, ** BSC's estimate

+ Revenue breakdown: Dellivery sector revenue is about VND 8,464bn (+37% YoY). Commercial sector revenue is VND 2,894bn (+77.2% YoY).

+ Gross profit margin reach 9.6%, down from 9.9% in 2019 due to the increasing proportion of commercial sector whose margin is barely thin.

+ SG&A expense margin is forecast to be flat, around 4.4% of revenue in 2020.

BSC's Viettel Post business forecast

Unit: bn VND	2017	2018	2019	2020F
Revenue	4,031	4,922	7,811	11,385
% YoY	37.6%	22.1%	58.7%	45.4%
Delivery	2,750	4,343	6,178	8,464
Commerce	1,280	579	1,634	2,894
Gross profit	345	546	775	1,090
<i>Gross profit margin</i>	8.6%	11.1%	9.9%	9.6%
SG&A expense	(151)	(230)	(333)	(500)
Profit after tax	170	279	380	482
% YoY	45.7%	64.1%	36.2%	26.8%
<i>Net profit margin</i>	4.2%	5.7%	4.9%	4.2%
EPS	5,729	4,853	5,718	7,085

Viettel Post Joint Stock Company

VALUATION

We use P/E methodology to evaluate Viettel Post stock. We discount by 12% of the P/E peer which is 23.1 to specify P/E target 20.6. Therefore, target price for VTP stock is 145,900 VND per share, equivalent to an upside of 16.7%.

P/E Valuation	
EPS 2020F (VND)	7,085
Target P/E	20.6
Value per share (VND)	145,900

Table: Peers of Viettel Post

Ticker	Company	Market cap (tn VND)	ROA	ROE	P/E
600233 CH Equity	YTO Express Group	130.99	7.92%	13.30%	22.55
002468 CH Equity	STO Express CO	86.16	10.95%	12.25%	24.47
LBC PM Equity	LBC Express Holding	9.25	13.08%	17.14%	32.40
GTIC IN Equity	Gati LTD	1.38	1.25%	2.49%	31.78
Singapore Post LTD	SPOST SP	27.75	0.71%	9.97%	20.75
Median					23.15

Source: Bloomberg

Disclosure

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